

SPRINGFIELD OFFICE:  
 ILES PARK PLAZA  
 740 EAST ASH • 62703-3154  
 PHONE: 217/782-6046  
 FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:  
 MICHAEL A. BILANDIC BLDG. • SUITE S-900  
 160 NORTH LASALLE • 60601-3103  
 PHONE: 312/814-4000  
 FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
 WILLIAM G. HOLLAND

July 15, 2005

Legislative Audit Commission  
 622 Stratton Office Building  
 Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the fourth quarter of Fiscal Year 2005 ending June 30, 2005.

## ***FISCAL MATTERS***

<b><i>FY 2005 – FOURTH QUARTER</i></b>				
	<b><i>Appropriation</i></b>	<b><i>Expended</i></b>	<b><i>Obligated</i></b>	<b><i>Balance</i></b>
Personal Services	\$ 4,018,200	\$ 3,990,891	\$ 0	\$ 27,309
Employee Retire. (Employer)	56,700	55,189	0	1,511
State Retirement	643,105	643,103	0	2
Social Security	299,795	296,129	0	3,666
Contractual Services	653,300	578,848	2,986	71,466
Travel	83,000	49,779	0	33,221
Commodities	20,000	6,115	0	13,885
Printing	22,000	15,504	0	6,496
Equipment	50,000	31,686	0	18,314
EDP	75,000	47,143	15,709	12,148
Telecommunications	75,000	50,486	0	24,514
Oper. of Auto. Equip.	5,000	2,240	0	2,760
Audits/Studies/Invest.*	<u>13,735,145</u>	<u>9,564,361</u>	<u>3,545,826</u>	<u>624,958</u>
<b>TOTAL</b>	<b><u>\$19,736,245</u></b>	<b><u>\$15,331,474</u></b>	<b><u>\$3,564,521</u></b>	<b><u>\$840,250</u></b>
*Audit Expense Fund				

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## ***PERSONNEL***

<b><i>PERSONNEL</i></b>					
	<b><i><u>04-01-05</u></i></b>	<b><i><u>Appointments</u></i></b>	<b><i><u>Separations</u></i></b>	<b><i><u>Transfers</u></i></b>	<b><i><u>06-30-05</u></i></b>
<b>Springfield</b>	<b>66</b>	<b>3</b>	<b>0</b>	<b>(1)</b>	<b>68</b>
<b>Chicago</b>	<b><u>06</u></b>	<b><u>4</u></b>	<b><u>0</u></b>	<b><u>1</u></b>	<b><u>11</u></b>
<b>TOTAL</b>	<b><u>72</u></b>	<b><u>7</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>79</u></b>

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## ***CONTRACTS***

During the fourth quarter of Fiscal Year 2005 the Office of the Auditor General entered into sixty-eight financial/compliance audit contracts, two information systems audit contracts and two administrative contracts.

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## ***TRAINING***

During the fourth quarter of Fiscal Year 2005, OAG-sponsored training included:

- Ethics
- GASB 40, an Amendment to GASB 3
- Illinois OAG Audit Policies and Procedures
- Quality Control Practices

Additional external-sponsored training in which staff participated included:

- The Ultimate Network Penetration Class
- Project Management; Seize the Moment
- Yellow Book Update
- Business Continuity Planning
- Best Practices Approach to Ensure Network Integrity
- New Frontiers in Governmental Auditing
- Payment Card Industry Security: New Requirements, New Responsibilities
- Excelling as a First-Time Supervisor
- Assessing Internal Controls & Effective Writing for Government Auditors
- 27th NSAA Annual Conference

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## ***PERFORMANCE AUDITS***

<b><i>PERFORMANCE AUDITS IN PROGRESS</i></b>
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<b><i>AUDITS</i></b>	<b><i>ESTIMATED RELEASE DATE</i></b>
<ul style="list-style-type: none"><li>• Village of Robbins' Use of Municipal Economic Development Funds (<i>P.A. 90-813</i>)</li></ul>	Summer 2005
<ul style="list-style-type: none"><li>• Management and Program Audit of Department of Commerce and Economic Opportunity's Administration of its Economic Development Programs (<i>House Resolution No. 671</i>)</li></ul>	Fall 2005
<ul style="list-style-type: none"><li>• Management and Program Audit of the Department of Transportation's Traffic Safety Programs (<i>LAC No. 129</i>)</li></ul>	Fall 2005
<ul style="list-style-type: none"><li>• Study of State Employee Travel Between Chicago and Other Illinois Cities (<i>LAC No. 131</i>)</li></ul>	Winter 2005
<ul style="list-style-type: none"><li>• Study of Duplicate Programs (<i>LAC No. 130</i>)</li></ul>	Spring 2006
<ul style="list-style-type: none"><li>• Program Audit of the Department of Financial and Professional Regulation's Disciplining of Physicians (<i>House Resolution No. 16</i>)</li></ul>	Spring 2006
<ul style="list-style-type: none"><li>• Management Audit of I-SaveRx Program and Encosse Hospital Products, Ltd. Flu Vaccine Contract (<i>House Resolution No. 394</i>)</li></ul>	Spring 2006
<ul style="list-style-type: none"><li>• Audit of the Chicago Transit Authority (<i>House Resolution No. 479</i>)</li></ul>	Spring 2006
<ul style="list-style-type: none"><li>• Management Audit of the Business Enterprise Program and IDOT's Certification of Businesses as DBEs (<i>Senate Resolution 102</i>)</li></ul>	Spring 2006
<ul style="list-style-type: none"><li>• Rend Lake Conservancy District Follow-up (<i>LAC No. 133</i>)</li></ul>	Fall 2006

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## ***REGIONAL OFFICES OF EDUCATION AUDITS***

Public Act 92-544, effective June 12, 2002, gave the Office of the Auditor General the responsibility for the conduct of annual audits of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State. Previously, these audits were the responsibility of the Illinois State Board of Education. There are 48 total audits to perform; 45 are of Regional Offices of Education and 3 are of Intermediate Service Centers. As of June 30, 2005, 35 fiscal year 2004 audits had been released.

## **FINANCIAL AUDITS, SINGLE AUDITS AND COMPLIANCE ATTESTATION EXAMINATIONS**

The following is a listing of financial audits, single audits and compliance attestation examinations for the period(s) ending June 30, 2004, September 30, 2004, December 31, 2004, and April 30, 2005. As the year progresses the “date released” column will be completed.

<b>FINANCIAL AUDITS, SINGLE AUDITS AND COMPLIANCE ATTESTATION EXAMINATIONS FOR THE PERIOD(S) ENDING JUNE 30, 2004 ,SEPTEMBER 30, 2004, DECEMBER 31, 2004, AND APRIL 30, 2005</b>
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*F = Financial Audits*

*S = Single Audits*

*C = Compliance Attestation Examinations*

<i>AGENCY</i>	<i>F</i>	<i>S</i>	<i>C</i>	<i>DATE RELEASED</i>
Attorney General			x	5/10/05
Capital Development Board	x		x	4/06/05
Chicago State University	x	x	x	3/31/05
Chicago State University Foundation	x			1/27/05
Comptroller – Fiscal Officer	x		x	5/10/05
Comptroller – Non-Fiscal Officer			x	5/10/05
Department on Aging			x	3/31/05
Department of Central Management Services	x		x	4/26/05
Department of Central Management Services (Deferred Compensation Plan) (12/31/04)				
Department of Children and Family Services	x		x	4/06/05
Department of Commerce and Economic Opportunity	x		x	4/06/05
Department of Corrections – General Office	x		x	4/21/05
Dept.of Corrections, Correctional Center - <i>Big Muddy River</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Centralia</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Danville</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Decatur Womens</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Dixon</i>			x	4/21/05
Dept. of Corrections, Correctional Center - <i>Dwight</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>East Moline</i>			x	4/21/05

## **FINANCIAL AUDITS, SINGLE AUDITS AND COMPLIANCE ATTESTATION EXAMINATIONS**

<b>AGENCY</b>	<b>F</b>	<b>S</b>	<b>C</b>	<b>DATE RELEASED</b>
Dept. of Corrections, Correctional Center – <i>Graham</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Hill</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>IL River (Canton)</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Jacksonville</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Lawrence</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Lincoln</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Logan</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Menard</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Pinckneyville</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Pontiac</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Robinson</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Shawnee</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Sheridan</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Southwestern IL</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Stateville</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Tamms</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Taylorville</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Vandalia</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Vienna</i>			x	4/21/05
Dept. of Corrections, Correctional Center – <i>Western Illinois</i>			x	4/21/05
Department of Corrections, Correctional Industries			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Chicago</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Harrisburg</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Joliet</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Kewanee</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Murphysboro</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i>			x	4/21/05
Dept. of Corrections, IL Youth Center – <i>St. Charles</i>			x	4/21/05

## ***FINANCIAL AUDITS, SINGLE AUDITS AND COMPLIANCE ATTESTATION EXAMINATIONS***

<b><i>AGENCY</i></b>	<b><i>F</i></b>	<b><i>S</i></b>	<b><i>C</i></b>	<b><i>DATE RELEASED</i></b>
Dept. of Corrections, IL Youth Center – <i>Warrenville</i>			x	4/21/05
Department of Employment Security	x			2/10/05
Department of Financial Institutions			x	4/06/05
Department of Human Services	x			4/13/05
Department of Insurance	x		x	3/31/05
Department of Military Affairs			x	3/10/05
Department of Natural Resources	x		x	4/28/05
Department of Professional Regulation			x	6/23/05
Department of Public Aid	x		x	3/10/05
Department of Revenue	x			5/04/05
Department of State Police			x	3/10/05
Department of Transportation	x		x	3/10/05
Department of Veterans' Affairs – General Office			x	4/13/05
Drycleaner Environmental Response Trust Fund Council			x	2/10/05
DuPage Water Commission (4/30/05)				
East St. Louis Financial Advisory Authority	x		x	4/13/05
Eastern Illinois University	x	x	x	2/17/05
Eastern Illinois University Alumni Association	x			1/27/05
Eastern Illinois University Foundation	x			1/27/05
Environmental Protection Agency	x		x	3/10/05
Environmental Protection Agency Trust Fund Commission			x	3/10/05
General Assembly – Retirement System	x			2/02/05
General Assembly – Retirement System			x	4/28/05
Governors State University	x	x	x	2/17/05
Governors State University Alumni Association	x			1/27/05
Governors State University Foundation	x			1/27/05
Historic Preservation Agency			x	5/10/05
Illinois Building Commission			x	5/04/05

## ***FINANCIAL AUDITS, SINGLE AUDITS AND COMPLIANCE ATTESTATION EXAMINATIONS***

<b><i>AGENCY</i></b>	<b><i>F</i></b>	<b><i>S</i></b>	<b><i>C</i></b>	<b><i>DATE RELEASED</i></b>
Illinois Community College Board			x	3/31/05
Illinois Conservation Foundation	x	x	x	3/24/05
Illinois Finance Authority	x		x	4/06/05
Illinois Gaming Board			x	5/04/05
Illinois Housing Development Authority				
Illinois Mathematics and Science Academy	x		x	2/10/05
Illinois Mathematics and Science Academy Fund	x			2/10/05
Illinois Medical District Commission	x		x	3/31/05
Illinois Petroleum Resources Board			x	4/06/05
Illinois Sports Facilities Authority Pursuant to (PA 91-0935)	x			12/16/04
Illinois State Board of Investment	x			2/02/05
Illinois State Board of Investment			x	4/28/05
Illinois State Toll Highway Authority – 12/31/04				
Illinois State University	x	x	x	3/16/05
Illinois State University Foundation	x		x	3/16/05
Illinois Student Assistance Commission	x			5/19/05
Illinois Student Assistance Commission Designated Account Purchase Program	x			5/19/05
Illinois Student Assistance Commission – Prepaid Tuition	x			5/19/05
Illinois Veterans’ Home – Anna			x	4/13/05
Illinois Veterans’ Home – LaSalle			x	4/13/05
Illinois Veterans’ Home – Manteno			x	4/13/05
Illinois Veterans’ Home – Quincy			x	4/13/05
Illinois Violence Prevention Authority			x	4/06/05
Industrial Commission – Self Insurer’s Fund	x			4/13/05
Joint Committee on Administrative Rules			x	2/24/05
Judges Retirement System	x			2/02/05
Judges Retirement System			x	4/28/05

***FINANCIAL AUDITS, SINGLE AUDITS AND  
COMPLIANCE ATTESTATION EXAMINATIONS***

<i>AGENCY</i>	<i>F</i>	<i>S</i>	<i>C</i>	<i>DATE RELEASED</i>
Judicial Inquiry Board			x	2/24/05
Kankakee River Valley Area Airport Authority	x		x	3/31/05
Law Enforcement Training Standards Board			x	2/10/05
Legislative Information Systems			x	5/04/05
Northeastern Illinois University	x	x	x	2/17/05
Northeastern Illinois University Foundation	x			1/27/05
Northern Illinois University	x	x	x	2/17/05
Northern Illinois University Alumni Association	x		x	2/17/05
Northern Illinois University Foundation	x		x	2/17/05
Office of Banks and Real Estate			x	3/08/05
Pollution Control Board			x	3/08/05
Prisoner Review Board			x	3/08/05
Property Tax Appeal Board			x	3/08/05
Secretary of State	x			5/10/05
Sex Offender Management Board			x	5/10/05
Southern IL University	x	x	x	3/16/05
Southern IL University – Carbondale Alumni Association	x			1/27/05
Southern IL University – Carbondale Foundation	x			1/27/05
Southern IL University – Edwardsville Alumni Association	x			1/27/05
Southern IL University – Evergreen Terrace	x			3/16/05
Southern IL University – Edwardsville Foundation	x			1/27/05
Southern IL University – Physicians & Surgeons, Inc.	x			1/27/05
Southern IL University – Research Park	x			3/16/05
Southern IL University – University Park	x			3/16/05
Southwestern Illinois Development Authority			x	4/13/05
State Appellate Defender			x	2/24/05
State Board of Education	x		x	3/31/05
State Employees’ Retirement System	x			2/02/05



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**FINANCIAL AUDITS, SINGLE AUDITS AND  
COMPLIANCE ATTESTATION EXAMINATIONS**

<i>AGENCY</i>	<i>F</i>	<i>S</i>	<i>C</i>	<i>DATE RELEASED</i>
State Employees' Retirement System			x	4/28/05
State Fire Marshal			x	3/31/05
State Police Merit Board			x	2/24/05
State Universities Retirement System	x			2/02/05
State Universities Retirement System			x	4/28/05
State's Attorney's Appellate Prosecutor			x	2/10/05
Statewide Single Audit – (Federal Funds)				
Teachers' Retirement System	x			2/02/05
Teachers' Retirement System			x	4/28/05
Treasurer – Bright Start College Savings Program	x			2/10/05
Treasurer – Fiscal Officer	x		x	5/10/05
Treasurer – Illinois Funds	x			2/10/05
University of Illinois	x	x	x	3/24/05
University of Illinois Alumni Association	x		x	3/24/05
University of Illinois Foundation	x		x	3/24/05
University of Illinois – Prairieland Energy, Inc.	x		x	3/24/05
University of Illinois – Research Park, LLC	x		x	3/24/05
University of Illinois – Ventures, LLC	x		x	3/24/05
University of Illinois – Wolcott, Wood & Taylor, Inc.	x		x	3/24/05
Western Illinois University	x	x	x	3/16/05
Western Illinois University Foundation	x			3/16/05

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## ***INFORMATION SYSTEMS AUDITS***

These audits are components of each agency's regularly scheduled financial audits, single audits and compliance attestation examinations for the period ending June 30, 2004.

<b><i>INFORMATION SYSTEMS AUDITS AUDITS INITIATED AND/OR COMPLETED IN FISCAL YEAR 2005</i></b>	
•	Attorney General
•	Chicago State University
•	Department on Aging
•	Department of Central Management Services
•	Department of Central Management Services – BCCS 3 <sup>rd</sup> Party Review
•	Department of Children and Family Services
•	Department of Commerce and Economic Opportunity
•	Department of Corrections – General Office
•	Department of Military Affairs
•	Department of Natural Resources
•	Department of Public Aid
•	Department of State Police
•	Department of Veterans’ Affairs – General Office
•	Governors State University
•	Historic Preservation Agency
•	Illinois Math and Science Academy
•	Northeastern Illinois University
•	Office of the Comptroller
•	State Fire Marshal
•	Southern Illinois University
•	University of Illinois
•	Western Illinois University

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## ***EMERGENCY PURCHASES***

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the fourth quarter of Fiscal Year 2005 and it contains forty-five filings with this Office.

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## ***CONTRACTUAL SERVICES CERTIFICATIONS***

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive based on retirement before 1993. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the fourth quarter of Fiscal Year 2005, the Auditor General received no new contractual services certifications.

Copies of certifications received in previous quarters are on file in our Office.

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## ***AUDIT PROGRAM CHANGE***

I would like to inform the Commission of an update to the audit frequency lists filed with the Commission on January 4 of this year. The audit frequency lists are filed in January of each year with the Commission to reflect those agencies that are subject to annual audits by my Office. Any changes to those lists are required to be filed quarterly with the Commission.

Effective with the June 30, 2005, audit cycle, we will be performing a financial statement audit of the capital asset account at the Department of Natural Resources (DNR) on an annual basis. Historically, we have audited DNR on a two-year cycle. However, because of the significance of the capital asset numbers at DNR, we have now determined it is in the State's best interest to have the account audited on an annual basis.

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## ***AUDITOR GENERAL'S OFFICE RECEIVES AWARD***

The Auditor General's Office was recently awarded the Excellence in Accountability Award by the National State Auditors Association (NSAA) for our *Management and Program Audit of the Rend Lake Conservancy District*. The award was presented to the Office at NSAA's annual conference in June. NSAA established the Excellence in Accountability Awards Program to recognize outstanding performance audits and special projects. The Office's report was one of three winning entries selected from submissions by audit organizations across the nation.

Yours truly,

A handwritten signature in blue ink, appearing to read 'William G. Holland', with a long, sweeping line extending from the end of the signature upwards and to the right.

WILLIAM G. HOLLAND  
Auditor General